

GENDER PARTICIPATION AND FINANCIAL SECTOR DEVELOPMENT IN MADAGASCAR: THE CAISSE D'EPARGNE

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I. INTRODUCTION

A. Gender and Financial Sector Development

The impetus for this case study grew out of a workshop on Gender Issues and Economic Adjustment, jointly sponsored by the government of Norway and the World Bank, held in Lybesu, Norway in March 1994. The workshop participants concluded that "gender issues should be an important part of the adjustment agenda, not only on equity grounds, but on the basis of economic efficiency and effectiveness." To provide some substantive fodder for further debate at a second workshop to be held at the beginning of 1996, USAID agreed to undertake two case studies investigating the narrow issues of women's access to financial market services--one in Tanzania and one in Madagascar.

Reform initiatives in a broad range of economic sectors including education, health, agriculture, housing, the environment, and commerce would benefit across the board from the systematic inclusion of gender analysis built into the conceptual framework of macroeconomic programs. Such rationale has proven increasingly convincing in specific sectoral interventions in agriculture, education, and health where women and children have been clearly identified as neglected or disenfranchised "target beneficiaries." The financial sector as well is believed to suffer from a similar phenomenon of gender blind policy prescription. Formal financial sector institutions exercise a well-known gender bias that generally disfavors women with respect to obtaining credit, and this bias is especially noted among women in the poorer rural communities. Land title as a lien against credit is a routine practice in such institutions. Women rarely have access to title on land in patrilineal African society and thus are categorically excluded from obtaining loans needed to improve levels of agricultural production. Innovative approaches to credit access that bypass this gender barrier have proven the effectiveness of making credit available to women as demonstrated by the Grameen Bank in Bangladesh. Experimental forms of rural mutual credit are slowly being instituted in Africa.

Access to credit as a supply side factor has been sufficiently documented as a primary constraint to financial sector mobility among women. However, data are sparse with respect to gender and an oft neglected side of financial intermediation -- formal institutional savings. This study seeks to close the "knowledge gap" by assessing the extent to which gender-desegregated data have been incorporated in the sectoral reform design and implementation of a formal sector financial savings institution -- the national postal savings bank of Madagascar or the Caisse d'Epargne de Madagascar, hereafter the "Caisse."

¹ The staff of the Caisse d'Epargne de Madagascar helped us at every stage in our project by permitting us to interview them at length and by providing us with documents and relevant statistics. We also benefitted from the help provided by the USAID/Madagascar staff who have been closest to this program.

B. Madagascar and the Caisse: The Role of Women

It has often been said that the status of women in Madagascar is generally more favored than in the countries of the African mainland. Women are better educated, participate more in formal labor markets, and generally take a more active role in public affairs than do their counterparts who live in mainland Africa. Like most generalities, this one contains some truth but the complete situation is not so simply summarized. The percentage of women who receive primary education is high (91%) compared to those who live in mainland Africa (55%, unweighted), and this partly accounts for the unusually high literacy rates among Malagasy women (73%). However, a much smaller percentage of Malagasy women are able to attend secondary schools (18%) which limits their access to jobs requiring higher education.

A 1993 UNICEF study concluded that there exists a socio-cultural bias in Madagascar which favors men over women and the differences begin in infancy. The report notes that the distribution of food is unequal with the males receiving both better and more food. Boys are given greater time for both play and school work while their sisters have the extra burden of helping with the domestic tasks. Girls have less freedom because they are often promised in marriage at a young age. The Malagasy women who live in an urban environment have greater freedom than those living in the countryside because their traditional cultural values have been subject to external influences, notably 65 years of French rule and its "mission civilatrice." But for the 80 percent of Malagasy women who live in rural areas, "their lives are governed largely by traditional values which assign specific roles for women, among which the need to reproduce is perhaps the highest." Indeed, the women of Madagascar have one of the highest fertility rates in the world (6.1 pregnancies per lifetime). The current birthrate (44) is lower than what one might expect from the high pregnancy rate, and the infant mortality rate (93) is higher than what one might expect; deficient health is undoubtedly a factor explaining both.

As concerns the Caisse and women, it can be noted that half of all depositors with the Caisse are women; however only 40 percent of the staff at its head quarters are women, and among these only three have professional status ("*cadres*") as compared to 15 men with that status. The underlying regulations of the Caisse are nearly gender neutral. Until the new statute of 1985 took effect, the regulations provided that while women could open and make deposits in their own name, a husband had the prerogative of opposing his wife's withdrawal if he so wished. Even today one explicit regulation restricts the discretionary choice of women. When an account is opened for a child, it requires the co-sponsorship of an adult. Only males are authorized to open an account for their children.

This case study documents how the Caisse was selected as a component of a sectoral policy reform program by USAID. It describes the political economic environment in Madagascar prompting the need for macroeconomic reform measures by the World Bank in the late 1980s and the formulation of a financial sector program by the early 1990s. USAID began instituting the Financial Market Development program in 1993. The study offers tentative comments about how gender-specific components were inserted into the sectoral

reform program and the extent to which such concerns have rendered the program more effective.

II. METHODOLOGY

The methodological framework for this study involved the review of documents provided by USAID/Madagascar, the Caisse and the World Bank as well as other documents relating to the development of the financial development program and issues related to it. In September 1995 a three-member team spent two weeks in Madagascar interviewing the principal actors who had either directly or indirectly participated in the financial program's development. Besides government officials and members of the Caisse's staff, the team interviewed persons who are active in women's organizations, consultants who had provided studies used in developing the program of changes, women active in women's organizations as well as representatives from other NGO associations, and members of the financial and commercial community.

III. THE POLITICAL ECONOMIC CONTEXT OF FINANCIAL SECTOR DEVELOPMENT

A. An Overview of the Malagasy Political Economy

Madagascar is among the world's ten lowest income countries with a per capita GDP of less than \$200 (1994). The overriding reason explaining its low income level is the interventionist policies which prevailed for nearly two decades. The results of those failed policies have been disastrous for agricultural output where the low level of productivity has failed to respond when the policies were eventually abandoned. Eighty percent of the Malagasy derive their income from their agricultural labor, but agriculture output accounts for barely one-third of total production. Moreover, Madagascar's economic performance is unique among all countries; real per capita GDP **decreased** in all but four years between 1970 and 1994. The efforts to reestablish economic growth have each time turned out to be short-lived, and afterward the economy has sunk to a lower level. As a consequence of the deteriorating economic situation, the per capita GDP was 40 percent lower in 1994 than it had been in 1970 (in constant prices).

At the time of independence in 1960 Madagascar was favored with natural and human resources and an infrastructure which exceeded those of most other African countries. But beginning from the early 1970s, the impact of a declining economy has had a deleterious effect on the various quality of life domains and has worsened what was already a pronounced inequality in the distribution of income. Until 1970 Madagascar was a net exporter of rice, the principal mainstay of life, and per capita availability increased up to the same year, but by 1994 per capita production had declined by 15 percent from its 1970 peak. Concomitantly, there has been a deterioration of the general environment and a decay of the

infrastructure that has frustrated efforts to bring a permanent end to the economy's decline and the beginning of sustained economic growth.

The roots of Madagascar's economic problems are attributed to the 1972 coup which ended the First Republic (1960-72) and brought to power a socialist military regime by 1975 which aimed to provide every Malagasy with their "basic needs." A major element of the "basic needs" policy consisted in holding down the prices of agricultural products, notably rice. This was advantageous for the urban population but disastrous for the large majority who were rural agricultural producers. Without an incentive to increase production, agricultural output stagnated. The principal macro-economic policies included the centralization of the economy and a reduction in Madagascar's external dependency. Foreign investments, significantly banks, were nationalized without compensation. Eventually, large but poorly planned investments, financed principally from supplier credits, contributed to other inflationary forces. By the end of the 1970s the economy was in serious trouble which was exacerbated by deteriorating terms of trade (e.g., rising prices for imported oil and decreased prices for Madagascar's traditional exports: coffee, vanilla, cloves).

The economy of Madagascar was exhibiting the classic earmarks of an economic crisis: spiraling government expenditures, rapidly rising prices, increasing balance of payments deficits, and an impossible schedule of foreign debt obligations. The economic situation had become so desperate, that the government was forced to abandon most of its socialist objectives and seek the very foreign financial assistance it had tried to avoid since taking power in 1972. In 1981 the IMF provided a standby agreement, conditioned on the government's efforts to reduce aggregate demand (largely by terminating several large investment projects) and meet other conditionalities.

By the mid-1980s Madagascar had achieved a large measure of macroeconomic stability (reduced inflation, diminished fiscal deficits and smaller balance of payments deficits) by adhering to the stabilization policies imposed by the IMF. But the population, especially the least favored, endured substantial hardships and there seemed to be little improvement in the prospects for continued economic growth. Beginning in 1987 the government of Madagascar negotiated a series of structural adjustment agreements with the World Bank and other donors. A consultative group consisting of a dozen donors, the "Club of Paris," was formed in 1987 to coordinate economic assistance at both the sectoral and macroeconomic level and to reach agreement on supporting a host government strategy. This consultative body has only recently reconvened to renew the dialogue on economic assistance to Madagascar.

The structural adjustment programs of the late 1980s initially focused on liberating the Madagascar economy from restrictions that had been in place since the mid-1980s. The programs were funded by World Bank and other donors. The reforms were directed toward creating more competitive market conditions by removing constraints on the economy. Prices were gradually decontrolled, the currency was devalued and tied to a trade-weighted basket of other currencies, and import quotas were abolished. The government agreed not to create any

further public enterprises which the donors believed were inefficient and a drain on the economy.

The results of the initial structural adjustment programs were more successful than anything in nearly two decades. The years 1988, 1989 and 1990 produced three of the four years of positive growth that have occurred since 1970. But the modest increases which amounted to 0.9 per cent annually for three years were not enough to put a dent in the previous two decades of economic decline. Periodic occurrences of civil unrest and occasionally violent riots, caused by both political and economic factors, increased between 1985 and 1991. However, the regime demonstrated it had considerable resiliency and continued to remain in power until it had accumulated nearly twenty years of authoritarian rule. But eventually it was forced to give in to the increasing popular demand for free elections. In late 1991 the government agreed to hold a referendum for a new constitution which would limit future presidential powers and thus avoid the possibility of repeating the authoritarian rule that Madagascar had known since 1972. The new constitution was approved by a 70 percent majority, but nearly a year passed before the "Second Republic" was formally ended and a new president was elected, marking the beginning of the "Third Republic."

Although there is little doubt that the stabilization and structural adjustment policies were the right economic decisions, there is little evidence that the Malagasy economy has begun to exhibit a turnaround. Following the modest gains registered in 1988-90, there have been four more years of decreasing real per capita GDP which resulted in its further decline of 13 percent. While the stabilization and structural adjustment programs have helped stave off even worse consequences for the Malagasy economy, there remains great uncertainty about what the future will provide.

After the efforts of the late 1980s to jump-start the Malagasy economy, the next major form of economic assistance by the World Bank was to propose new policies designed to bring about the transformation of the financial system. In their view the financial system had serious deficiencies which caused it to be a hindrance rather than a promoter of economic growth. Most of the efforts have been directed toward the formal financial sector, but the informal sector has also received some economic assistance intended to enhance its effectiveness also.

B. The Role of the World Bank in Financial Sector Reform

Between 1988 and 1991 the government of Madagascar negotiated with the World Bank, the IMF, and other donors a series of financial assistance arrangements that were dependent upon meeting the objectives of several mutually agreed-upon structural adjustment programs. These new measures included some efforts to reform the financial system. Among them the most notable efforts in financial development were the partial privatization of two state banks and authorizing a new joint venture private bank.

When it became evident in 1991 that there would be a fundamental change in the constitutional basis of the Malagasy government, the World Bank sponsored two on site missions for the purpose of formulating "a strategy for the development of the country's financial sector." The studies which resulted from these two visits eventually were published as the World Bank report: *Madagascar: Financial Policies for Diversified Growth* (1993).

The report had three overriding objectives: (1) "to identify strengths and weaknesses of Madagascar's financial system; (2) to formulate policy options which could enable the financial system to better serve the country's objectives of sustainable and diversified growth; and (3) to recommend an appropriate sequenced strategy for financial system development that could be implemented within the 1990s."

The World Bank recommendations included a multi-dimensional approach to the establishment of an agenda for financial development which included short-term measures as well as a map for medium- and long-term financial policy development. While the latter recommendations contained some proposals not encompassed in the near-term recommendations, for the most part they built on the near-term policies among which the principal components were the following:

- ▶ Completing the deregulation of interest rates on both credit and deposit instruments
- ▶ Ending years of negative real interest rates which had caused the misallocation of both real and financial resources
- ▶ The continued privatization of the commercial banking sector
- ▶ The development of a Free Zone to enhance export development
- ▶ A wide ranging plan intended to invigorate the Central Bank through changes in its statutes as well as through the development of a more effective personnel, resulting in an enhanced capacity to formulate and execute monetary policy
- ▶ Conduct a feasibility study for the establishment of a Giro-based payments system, i.e., an institution for aggregating payments and transfers, sometimes associated with the postal system
- ▶ Plan how to transform the Caisse d'Epargne into an autonomous unit, and study ways it could become a more effective collector of savings
- ▶ Establish a joint commission to study how to encourage the development of new capital market instruments
- ▶ Continue to identify specific public enterprises where privatization would foster the development of capital markets and achieve greater efficiency.

While the World Bank report did not dwell on what level of economic assistance might be necessary to implement its many proposals, it was expected that among the dozen or so donors providing financial aid and technical assistance to Madagascar, there would be several who would come forward to propose collaborating with the World Bank and the Malagasy government by contributing the necessary financial aid and providing technical assistance for one or more of the proposed reforms. Eventually, three countries offered to collaborate with the World Bank's efforts to revitalize and spur financial development: the United States, Switzerland (which is now working to develop a system of rural credit) and Sweden (which ultimately decided not to participate in the financial development program because they felt their assistance could be more effective elsewhere).

The World Bank, in collaboration with the United States, Switzerland, and the Central Bank, worked out an umbrella proposal which would serve as the general framework for the various programs of financial development which they would separately undertake (*World Bank: Financial Institutions Development Technical Assistance Program--FINDEP*). The discussions which led to the formation of the FINDEP involved the participation of the two donor countries and the World Bank in an effort to determine the optimum contribution that each party could provide. Eventually this collaboration led the United States to conclude agreements with the Government of the Republic of Madagascar (GRM) to provide it with both financial and technical assistance directed toward financial market reform and program development.

IV. THE DESIGN AND IMPLEMENTATION OF THE USAID PROJECT FOR FINANCIAL MARKET DEVELOPMENT (FMD)

A. Structure of the FMD Program

More or less simultaneously with the issuance of the World Bank report *Madagascar: Financial Policies for Diversified Growth* and the establishment of the FINDEP framework for financial and technical assistance, USAID/Madagascar began a series of discussions with the World Bank to evaluate which of the Bank's proposals coincided with the particular areas where the United States believed it was best equipped to assist in the development of Madagascar's financial markets. The World Bank's statement that the Caisse was "the most promising candidate in the near-term for a formal financial institution which could provide linkages between small-scale, informal and formal segments of the financial system" may have led USAID/Madagascar to concentrate its assistance. Discussions led USAID/Madagascar to conclude that there were two domains in which it could play a positive role as a change agent. The areas were: a limited involvement in the attempt to transform the Central Bank into an institution capable of designing and executing effective monetary policies, and undertaking to help the Caisse achieve autonomy and become a more effective collector of savings. USAID/Madagascar, in consultation with the World Bank and Swiss aid officials, elected to share donor tasks and limit its assistance to selected areas in which it felt it had certain institutional strengths and professional capacities.

As concerns the Caisse, the negotiations were conducted by three representatives of USAID/Madagascar and three representatives of the Caisse (its director and two department heads). Together they forged a mutually agreed upon plan which over the four year period of non-project activity (NPA) was designed to transform the Caisse into a limited liability company with a statute permitting it to conduct its savings and lending functions effectively and efficiently.

Although the purpose of this study is to assess the gender-specific issues of the preparation and execution of USAID's FMD Program, it should be noted that the four million dollars allocated for the technical assistance components of the Central Bank and the Caisse was linked to a larger Program Assistance Grant disbursement of six million dollars to Madagascar that was needed to absorb the financial costs of FMD program implementation. The Madagascar government would be required to demonstrate that it had accomplished six "conditions precedent" related to the two technical assistance projects in order to receive the entire grant. Before the first half of the six million grant would be disbursed, the Government of Madagascar had to demonstrate that it had completed the six conditions of which the following four pertained to the Central Bank and the Caisse:

- 1) The Central Bank will obtain a new statute which will conform to certain stipulations
- 2) The Central Bank will develop a Strategic Development Plan
- 3) The Caisse will receive from the Treasury's Caisse de Dépôts et Consignations a transfer representing unpaid past interest on its obligatory deposits
- 4) The Caisse will henceforth receive interest on its deposits equal to the rate for twelve month Treasury Bills.

B. The Caisse d'Epargne

Like many of the other administrative structures and the legal system in Madagascar, the Caisse was a virtual copy of the same French institution when it was founded in 1918. Every post office is either equipped to issue the savings passbooks of the Caisse in which a client's deposits and withdrawals are recorded or, if not so authorized, the post office passes along the requests to another bureau which is authorized to complete them. Throughout most of its life the Caisse has offered a single product: Interest on passbook savings. In 1992 it began offering a bonus to depositors who kept a specified minimum balance (50,000 FMG -- about 10 dollars), had increased the balance in their account during the previous year, and had made no more than four withdrawals during the year. By 1995 the sum in these accounts amounted to more than half of all deposits. In 1995 the Caisse introduced its first new product, a Savings Certificate (Bon d'Epargne). The Caisse is not a full fledged bank because in the past it has only accepted deposits and has not yet begun to make loans. Clients must wait two weeks between withdrawals, a requirement which is the subject of

much complaint. Every passbook must be sent into the Main Office once a year so that the calculated interest can be posted in it. The Caisse is required to place all the deposits it receives with the Treasury which in the past has not always been in their best interest.

In 1985 it received a new statute, becoming a public enterprise with financial autonomy. Previously it had been an undifferentiated unit within the Post Office. It had no offices outside the post offices themselves and the entire staff was comprised of postal employees. When it became a public enterprise only the relatively few employees in the Main Office switched from being employees of the Post Office to becoming employees of the Caisse itself; all other employees retained their postal service status and continue so today. One of the few potentially important changes in the 1985 statute was to give the Caisse authority to allocate up to 50 percent of its assets as loans for public housing, public enterprises, financial institutions, and other "economic and social operations." Until the present, however, the Caisse has not availed itself of that possibility. The principal functions of the Caisse's Main Office are to maintain records of all transactions for all accounts in the system, and post the annual interest to each account.

The Post Office receives compensation from the Caisse for the full and part-time work that its employees undertake on behalf of the Caisse. The Caisse's Main Office has 51 employees (32 men and 19 women). There are 16 men with professional status "cadres" while 3 women have that status. In the post office facilities throughout the country, there are 350 postal employees who work full time for the Caisse and 250 postal employees who do part-time work. There are over 450 post offices where the Caisse can reach potential savers. A large majority, however, can do no more than forward a request to another office which is authorized to conduct the requested transaction. There are five categories of offices; numbers of each are in parenthesis:

- Sections (46) which are the only units capable of opening an account; they can also record deposits and pay withdrawals
- Bureaux à compte locale (100) cannot open accounts; they are authorized only to collect deposits and make disbursements. Requests to open an account must be forwarded to the regional Section
- Bureaux satellites (71) which can only receive deposits; requests to withdraw funds are sent to the regional Section
- Bureaux de poste restreintes (139) must forward all requests to the regional Section
- Agences postales (104) are similar but smaller than the previous category.

At the end of 1994, the Caisse had 292,000 depositors who were distributed throughout a far larger network of bureaus than any of the commercial banks. Also because an account can be opened with as little as 100 FMG (about two cents US) as compared to the

100,000 FMG (\$21.25) or more which is required to open a savings account with a commercial bank, the Caisse is more accessible than elsewhere. However, the Caisse's deposits are largely concentrated in the urban centers, although 80 percent of the Malagasy live in rural areas. Sixty percent of all deposits in the entire system are located in the district of the capital, Antananarivo.

Both clients and deposits have grown steadily over the past decade; the number of depositors has increased on average by 5 percent annually and deposits by 7 percent. But the growth of time deposits with the commercial banks has been considerably more rapid. In 1982 deposits with the Caisse as a percentage of total time deposits (i.e., including those with the commercial banks) was over 20 percent; in 1994 they had decreased to only 3 percent. The factor driving down the Caisse's relative position in the market for savings deposits has been the higher interest offered by the commercial banks. The commercial banks have discouraged small depositors by keeping the minimum balance quite high, but they have been able to attract the large institutional depositors by offering relative high interest rates.

The accounting records of the Caisse are not yet fully computerized so it was not feasible to obtain aggregate data about the Caisse's depositors. The following gives some characteristics of the depositors, based on a random sample of 1,985 records of non-institutional depositors (about 1 percent of total depositors). Among the depositors 52 percent are women and they also accounted for 52 percent of total deposits. There are some differences by socio-professional category:

- employees -- Twice as many men as women are salaried
- Twice as many women as men listed themselves as being "without occupation"
- One-third of the sample were high school or university students of whom an equal number were women and men
- The percentage of women who listed themselves as being employed in commerce or as artisans (54 percent) was somewhat higher than for men (46 percent).

When USAID/Madagascar began its collaboration with the Caisse, the Caisse had high expectations that it would be possible to help transform itself into an autonomous institution which would become dynamic and profitable, and be capable of attracting private capital. Indeed, the Caisse already had the confidence of its clients. During the political upheavals of 1991, a general strike lasting seven months caused all the commercial banks to close their doors, but at the demand of its depositors the Caisse remained open throughout the strike.

The economic assistance offered by USAID had two parts: technical assistance to help improve the efficiency of the Caisse's personnel, and material aid to permit the Caisse to

transform its rather outmoded ways to the day of computerized operations. The technical assistance offered by USAID/Madagascar brought with it the participation of several outside groups who otherwise would not have had an opportunity to participate in providing their input to the reform and development of the Caisse.

The first undertaking was to engage Price Waterhouse to survey the entire range of the Caisse operations. They concluded that the Caisse had several strong points which if exploited effectively could make it into a dynamic institution capable of being a major collector of small savings. They noted that it had a wider system of offices than any other financial institution; due to the almost negligible initial deposit required, it was accessible to virtually everyone; only the longer term rates of commercial banks were higher than the interest rate paid by the Caisse; and only one commercial bank offered a passbook which they believed was a strong selling point because it provided an important positive psychological factor by giving physical proof to clients of their deposit. They recommended that a broad revitalizing program could be achieved by "strengthening its organization and management, marketing, financial and personnel policies." Their recommendations eventually provided much of the agenda that USAID/Madagascar would undertake to achieve.

The Price Waterhouse report did not ignore the weak points of the Caisse. The post office windows were often unattractive and this was especially notable at the over-congested premises of the Principal Agency in Antananarivo where a majority of all transactions occur. None of the postal employees who worked for the Caisse had ever received any special training which might help them better serve their clients. The most frequently heard complaint was that there were long delays to open an account and to make deposits. There were even louder complaints about the time necessary to make a withdrawal which in a post office could take anywhere from a minimum of two days up to a week and longer, if the account was located in a post office which had to forward the client's passbook to a Section to complete the transaction.

The positive recommendations contained in the Price Waterhouse report led USAID/Madagascar to fund two studies relating to the Caisse's existing statute and how it might be best modified to produce an institutional environment suitable for continued growth and also for eventual privatization. Both of the local consulting groups which were selected for the studies are headed by women. Their participation provided the Caisse with a perspective that it would not have otherwise had. A third study, also by a local consulting group with a woman director, aimed to learn about the Caisse's clients and non-clients, their nature and their concerns. The survey of present clients included 458 depositors of whom 56 percent were women. Some of the principal findings of the client survey were the following:

- 80 percent of the respondents had no idea about how the Caisse used their money
- 63 percent said they had to wait 10 minutes or more to make a deposit

- 90 percent said that it took 10 minutes or more to make a withdrawal; 63 percent said the wait was 30 minutes or longer
- When depositors were asked to whom their deposits belonged, 48 percent said to the woman, 31 percent said it was the man's, and 21 percent said it belonged to both of them
- The proportion of women who said that they intended to keep their deposit longer than a year was somewhat larger than for men (women 65 percent; men 59 percent)
- When asked how likely it was that they would be able to make savings deposits on a regular basis, the portion of women who replied that they could do so was somewhat less (42 percent) than for men (58 percent)
- As the savings passbooks are issued only to individuals (except for minors), 47 percent of the respondents said that their household had 2 or more accounts.

C. USAID/Madagascar's Program to the Caisse

USAID/Madagascar's assistance to the Caisse was aimed at helping it become a dynamic player in the overall financial development of Madagascar. USAID/Madagascar has provided three technical assistants to the Caisse since the beginning of the program. A senior financial advisor and two other persons who participate on a fellowship basis. The first worked principally on marketing issues and the other only arrived in September 1995.

The senior financial consultant was engaged with the intention that he would come to Madagascar for seven visits, each of a month's duration. His first task was to help the Caisse write a proposal for a new statute which would create an environment in which the Caisse could continue to grow, could begin to offer new deposit instruments, begin eventually to offer credit in the form of individual loans, become an independent institution freed from government control, and eventually move toward the privatization of the Caisse. The new statute was approved by the parliament in August 1995 and presently awaits the President's signing. The next task was to develop a marketing plan which included the planned introduction of several new savings instruments. The first of these, a redeemable savings certificate (Bon d'Epargne) was launched in June.

The Savings Certificate pays an interest rate (6.6 percent) which is slightly below the rate paid on a regular account (7.2 percent) and also less than what the prime or "stable" accounts pay (9.0 percent). Unlike a regular account where the client must wait two weeks between withdrawals, the new Savings Certificate can be cashed any time at any of the Postal Savings postoffice windows which gives the certificate a liquidity advantage to compensate for the slightly lower interest rate. Moreover, the interest accumulates weekly; each

certificate has the increasing weekly values printed on its back. The certificates are issued in denominations of 25, 50 and 100 thousand FMG (about 5, 10 and 20 dollars). While the demand has only been modest (873 sold in three months), women have been attracted to them in greater numbers than men (531 women compared to 342 men). Also there has been a greater demand for the larger denomination certificates.

D. Gender Participation in the Caisse d'Epargne Reform: Design and Implementation

It might be assumed from what has been written so far that gender is absent from considerations surrounding the FMD program and specifically the Caisse itself. Yet one might well wonder whether there are not relevant gender issues or if gender has played a role in the formulation and execution of the program development of the Caisse. This study also investigates if there were noticeable differences in the gender participation of women and men and the gender impact of the reform.

Design of the FMD reform package was based upon USAID/Madagascar mission review of the 1989 World Bank financial sector report, *Madagascar: Financial Policies for Diversified Growth*. Mission staff enunciated a proposed reform of two institutional structures, the Central Bank and the Caisse, in their 1992 country program strategies document (CPSP). This document benefitted from Malagasy consultation and review by five officials with considerable financial sector expertise. One woman involved in agribusiness participated in the review process. Upon approval of the CPSP document by USAID/Washington in September 1992, meetings ensued between three representatives of USAID/Madagascar (mission director, chief economist, and assistant) and three representatives of the Caisse (director and two department heads). Together they forged a mutually agreed upon plan which over its project life of four years was designed to transform the Caisse into an antonymous institution with a set of statutes permitting it to conduct its savings program more efficiently.

The World Bank report noted above makes no specific mention of gender issues. By implication one would be likely to conclude that the absence of such consideration suggests that at most the authors considered their recommendations to be gender neutral, but perhaps more realistically the report simply ignored the issue. USAID/Madagascar's initial meetings with the Caisse included only men in the discussions about what would best be included in a program of financial development. The USAID/Madagascar program document, *Financial Market Development*, is similar to the World Bank report in that nothing in it suggests that there were any explicit consideration of gender issues. The implicit assumption appears to have been that the financial development of the Caisse has no gender-specific focus.

Following initial discussions between USAID/Madagascar and the Caisse on program design, a diagnostic study of the operational status of the Caisse was carried out by a team of financial analysts (Price Waterhouse) in February 1993. The team included a female consultant from the US and a male consultant from France. The core AID-Caisse team met

regularly throughout the summer of 1993 (2-3 times per month) to elaborate the conditions of the reform program and to develop terms of reference for a series of feasibility studies to be carried out by Malagasy consultants in the private sector. In addition to the Price Waterhouse analysis, studies were carried out in the following areas:

- 1) a market survey of Caisse clients and non-clients;
- 2) legal status and human resource development of the Caisse;
- 3) a financial assessment of the Caisse;
- 4) an information systems development plan for the Caisse.

Among these studies, the market survey of the Caisse involved critical input and management by a Malagasy female economist. These studies and surveys were completed by June 1993.

Consultations on the conditions precedent for the FMD reform were carried out between USAID/Madagascar, the Ministers of Finance and Justice, the national postal service (PTT) and the Caisse in June 1993 and agreed upon in September. Program agreements were then elaborated in the definitive FMD mission document (PAAD) and completed at this time.

An FMD implementation committee involving five mission staff began program start-up by the fall of 1993. Technical assistance involving a short-term contract with an American financial sector specialist was initiated at this time. In addition, an important study regarding the legal statutes of the Caisse was undertaken by a prominent Malagasy woman. Her proposed statutes were distributed to the Ministries of Finance and Justice, and the PTT for informal review and recently approved by the GRM National Assembly in the summer of 1995.

The key role of those Malagasy women noted above who were invited to provide critical consultative services after program design is somewhat atypical of women's overall participation and influence in shaping gender parity within the broader financial sector. In some ways women in Madagascar are not so very different from women elsewhere. Their access to credit is clearly limited. Men can borrow in their own name, if their creditworthiness is acceptable. Women often cannot. At least some banks in Madagascar require women to have their husbands co-sign their loans. This is not in the economy's best interest because several studies have demonstrated that denying women credit is inefficient and creates a diversion of resources from productive to less productive activities.

There are two specific gender issues which touch the Caisse. Women cannot be a co-sponsor when one of their minor children wishes to open an account; only fathers can co-sponsor accounts for their children. Probably this does not create a major misallocation of resources because at the present time accounts for minors make up only 4 percent of all accounts. Whether or not this regulation is rational turns partly on the relative productivity of women and men. If a woman's time is generally more valuable than a man's, then the present system may not discriminate against women.

The Caisse itself has done little to encourage the advancement of its women staff. Only three out of nineteen "cadres" are women and only one of these has professional training--as a computer analyst. Had there been some explicit consideration of gender issues, perhaps it would have been possible to incorporate into their development plan specific features designed to enhance the professional advancement for women.

The Caisse envisions the future development of a loan program, a financial service new to the postal institution. So far there is no evidence that anyone within the Caisse or among those providing it with advice is actively considering any potential gender issues regarding the provision of credit. Since the experience elsewhere in the Malagasy financial system suggests that women do not have access to credit on an equal basis with men, it would seem desirable that the Caisse address this issue directly.

V. INCENTIVES AND CONSTRAINTS IN FINANCIAL INTERMEDIATION BY WOMEN AND MEN

A. Formal and Informal Financial Institutions

The savings capacity of the Malagasy, whether through formal or informal channels, is greatly compromised as a result of the dislocative effects of inflation which has been high during most of the past two decades and which is currently approaching 50 percent and the series of currency devaluations which have resulted in the last several years. The significant loss of purchasing power is reflected in the modest sums of savings deposited with the Caisse.

In Madagascar, the economic participation of most men and women depends on a very slim resource base consisting of mainly unskilled physical labor. Their role could be enhanced if their resource base were expanded by the addition of complementary resources (essentially through access to financial services, including savings and credit). It is in this context that financial services become important; if Malagasy men and women had improved access to financial services they could expand the "expenditure-savings" activities of the homestead into "income-generating" ones and in the process improve their economic status in society.

Small-scale economic agents can be defined as independent entrepreneurs with minimal employees and resources and mostly engaged in informal sector transactions. In Madagascar, they make up the majority of business people. They are the largest source of actual and potential use of financial services, and a significant possibility for financial savings. Any sustainable and long-term growth of the financial system in Madagascar will be impossible without their inclusion. Be that as it may, they have little access to any formal financial system in Madagascar.

These economic agents can be described by three socio-economic criteria. They are non-corporate in nature. Their cash balances and finance requirements are smaller than the average customer of established financial institutions. They are usually family-based, or individually owned. Most of these agents can be found in the informal sector. They are not registered with the government, do not maintain bank accounts and are not licensed businesses. In order to survive outside of the formal financial system, they organize into groups and cooperatives based on communal and other interests. They constitute the bulk of the Caisse's customer base.

The needs of small-scale economic agents are derived from their non-geographical nature. They can neither be described as urban or rural, although the majority are in Antananarivo. The supply of financial services available to them is low or absent. They cannot place funds in the larger national banking system because they cannot meet the minimum deposit requirements of most institutions. Their access to the larger formal depositing institutions (physically) is poor. They have difficulties in attaining credit. They lack knowledge of how to operate within the broader national banking system. Banks do not seek them out because of the high transaction costs, risks, and low profitability involved.

Unlike the majority of the rest of Africa, Madagascar lacks informal financial institutions. Small-scale economic agents must rely on family and friends for their financial needs. Usury is considered essential to run a small-scale business or to get a small loan. In some areas, informal financing has developed in a manner akin to profit sharing and pre-financing.

In the aggregate, small-scale economic agents have a large amount of savings that is being prevented from entering the commercial banking sector. There is a high demand for financial services, but these services are not available. The fundamental problem is a lack of access to information and the financial services themselves.

Small-scale economic agents are forming mutual savings and loans associations and cooperatives in order to better use the resources at their disposal. These groups create an excellent target area for formal financial system integration. They are supported by a World Bank-funded rural finance project.

In rural areas, individuals may generate small cash savings or acquire assets in the form of livestock and jewelry. Knowledge of the utility or function of formal sector savings institutions such as the Caisse is extremely limited in the countryside. Thus much of the small earnings of rural producers has not been captured at the formal sectoral level.

Informal sector savings institutions such as community organized groups of rotating credit (eg, the *tontine* practiced on much of the African mainland) are noticeably absent in Madagascar. Informants noted that the only form of pooling of resources as rotating credit occasionally practiced is in urban neighborhoods by informally organized networks of migrants from the same rural communities.

Some recommended government policies for increasing small-scale economic agents' access to the formal financial system would be to use market forces to push formal financial institutions in the direction of the economic agents. The four policy areas that must be addressed are: (a) efficiency and competition, (b) sustainable and demand driven programs, (c) linkages of small-scale finance to the larger formal financial sector and (d) improvements in the regulatory framework that would lower transaction costs and risks.

If banks face increased competition, they will have to extend into financing small-scale agents to gain competitive income. If this extension does not occur, small-scale economic agents will not be able to last into the medium term, and Madagascar will lose a significant portion of its organized, if not formal, business sector.

Small-scale financial institutions will feel a natural need to join with the formal financial sector. They will require payment and depository services. They generally have more deposits than credit given out. By infusing themselves with the larger system they can make greater utility out of their excess funds.

The Caisse serves as an excellent example of an institution that is now working with smaller financial units. It still operates as a postal savings institution, although it has been authorized to work as a savings bank. Because of its ties with the post office, it is the financial institution with the most extensive network of branches in Madagascar. Unfortunately, it has organizational and regulatory problems that have kept it out of the reach of small-scale economic agents.

Financial management of the Caisse was hampered because it had been obliged until recently to keep all funds with the Treasury. A clear-cut marketing strategy was only recently designed to better adapt and develop financial products. The Caisse has a wider range of depositors than other financial institutions in Madagascar, including some small-scale agents. Revitalization plans focus on reform of internal policies. With the new statute, they also are aimed at bringing about organizational independence from the government. Links should be maintained with the postal system, thus guaranteeing access to the Caisse for the entire country. By opening itself up more to smaller depositors, the Caisse would be able to take advantage of economies of scale. It needs to be free from subsidies and the treasury, operating in the market so that it can become viable on its own. Human resources development is also recommended, to be focused on tellers. Marketing would be oriented at bringing in those individuals who would normally not use a formal bank. Its services would be tailored to group based savings, so that small-scale economic agents would feel more comfortable operating with it. The Caisse could also take on an educational capacity when it begins dealing with groups, instructing them on how to maximize their use of the financial system.

B. The Legal Regulatory Environment

The civil code regarding the legal rights of women and men ascribes equal status to both sexes under the Malagasy constitution. In contrast to other African nations, Malagasy women are considered to have relative autonomy in their legal standing vis-a-vis men. Women have played an important role in the political evolution of Malagasy society, assuming positions of high power during the reign of numerous queens under pre-colonial rule. More recently, in the post-independence era the 1975 charter of the Malagasy socialist revolution specifically designates women as one of five pillars of the first socialist republic. Contemporary political institutions, however, do not bear out the presence of women as principal actors in the political life of the country. They play a nominal role in the parliamentary structure of the government, comprising only 8 out of 138 deputies in the National Assembly. Of these, only 2 were chosen by popular vote, the remaining women replacing deputies who were promoted as ministers in the current government.

Since 1975, only one woman has headed a ministry post in each government administration of which there are currently 19 ministries. The most recent female minister, who is head of the Ministry of Culture and Communication, was nominated to this position in early September, 1995 and will most likely be replaced in the near future after a national referendum vote on the constitution to be held September 17, 1995. In 1992, only 9.7 percent of the membership of 53 political parties was made up of women. In addition, 8.2 percent of all senior staff positions were held by women.

Although there is a noticeable absence of women in the formal body politic of the country, they have asserted their presence in other quasi-political spheres of public life such as law where they constitute approximately 50 percent of all magistrates within the judiciary branch of the government. Outside of the government, approximately one-third of all lawyers are now women. Their preeminent position in the public legal sector has theoretically assured that the equal status of both sexes is recognized and protected under the law. Other professions in which women are notably present include civil service administration and medicine.

The legal statutes of the constitution as they relate to one's ability to gain access to critical financial resources, particularly credit, reveal no discrimination with respect to gender. Cultural institutional practices that largely determine one's material wellbeing such as marriage, divorce, inheritance, and loss or death of a spouse provide equal protection to both sexes under the law. The sole jural domain in which a distinction by gender is applied involves the act of adultery. Men receive much more leniency while penalties for women are quite severe. The only legal sphere conferring an advantage to women entails labor codes that are protective of maternal status with regards to child rearing.

C. The Cultural Context of Financial Intermediation

New national constitutions in 1959, 1975, and 1992 have progressively advanced the civil rights of women in Madagascar. Despite the equal protection of women and men under the law, interviews with informants confirm that gross inequities exist in the application of

law. The rights of both women and men are protected more often in theory than in cultural practice. This disparity is a function of several factors, the most important of which are geographical isolation, illiteracy, and poverty.

Considerable agro-ecological and socio-cultural variability exist within Madagascar making firm pronouncements about women's status and their ability to access critical resources in land, labor, and capital extremely tentative. With this caveat in mind, one may nonetheless discern some general regional differences in relations between women and men. In the south of the country among pastoralist populations such as the Bara, women's role in public sphere activities outside the informal sector is noticeably limited. Land is in the sole possession of men and inheritance always passes through the family patriline. Thus the capacity of women to utilize formal financial sector institutions such as the Caisse is extremely limited. Women are much more apt to employ formal sector mechanisms of savings and credit in the larger urban centers of the country which are found primarily in the central plateau region. This is reflected in the fact that approximately 60 percent of all the Caisse's clients hold their accounts in the district of the capital, Antananarivo, and about half of the clients are women. A region requiring closer examination of the savings and investment capacity of women is in the eastern and western coastal zones where large-scale commercial cropping of tobacco, sugar, and vanilla takes place.

Religious and cultural ceremonies such as marriage and funerals serve as major disincentives to economic investment, particularly in the rural countryside where incomes are quite low. The growing monetization of these institutions often forces men to acquire sizeable debts that require years to pay back. Marriage ceremonies erode the savings capacity of men who are required to pay a form of bridewealth -- either in livestock, cash, or both -- to the family of the bride. Polygamous marriage, forbidden under civil law, further constrains the capacity of men to save capital resources. Polygamy continues to be practiced in rural areas of the country and among particular ethnic groups such as pastoralists in the south and Muslim communities in the north. In a country where annual per capita income is below \$200, acquiring a bride can be costly; the cost of bridewealth among Muslims in the north ranges from \$40-\$60.

Marriage is commonly viewed as an ephemeral act in certain regions of the country. In some northern villages, men who marry more than once are conferred a higher status than those who marry for a lifetime. Women who seek to remarry after divorce are generally ostracized.

During courtship and after marriage men are expected to frequently provide gifts to their spouses, thus further eroding any savings potential in the household. An additional financial pressure involves the support of extended family members after marriage.

Civil proceedings for divorce have only come to favor women and men equally since 1990. Prior to this date, men were entitled to two-thirds of the share of all household wealth. Both sexes are now entitled to share assets equally. The customary practice of unequal access to all goods after divorce still favors men over women in most regions of the country. Men

maintain their claim over two-thirds of all resources in the central plateau region. In the south among pastoralist groups, men assert the claim to all resources. Women are more frequently given an equal claim to goods in particular areas of the north where they hold a special status in society.

The area that most often has some bearing on a woman's capacity to accumulate capital resources involves inheritance rights, particularly the ownership of land. Women generally cede their claim to patrilineal lands upon marriage, residing patrilocally in the village of their spouse. Should a woman divorce, she may be permitted to return to her native village to farm a small family plot on loan to her from her father.

After separation or divorce, a common practice is for children to remain with their mother. Men frequently absolve themselves of any financial responsibility for their children, thus leaving women to seek economic refuge with their children among extended family members. During periods of economic crisis such as the one currently facing the population, the burden of supporting additional family members is particularly difficult and further erodes the savings capacity of the household.

D. Gender Relations in Household Budget Management

Recent analytical approaches to structural adjustment and gender in Africa suggest that various 'meso-level' institutional structures serve as the mechanism for mediating between policy interventions at the macroeconomic level and supply response that is observed at the micro, or individual level. A range of middle level institutional structures are posited to be imbued with gender bias and to have gender specific impacts at the micro level. These vary in size, form, and function and include entities as diverse as the household and legal systems. Discussion above has sought to address the *de jure* codification of women's rights that asserts equal standing with men under the constitution. Other institutions that are intrinsically 'gendered' in nature are quite diffuse but include: market institutions, informal networks, political systems, culture, government departments, private sector enterprise, and financial institutions.

This section touches briefly upon the nature of the household and the extent to which conjugal relations may influence strategies of capital accumulation and investment. As in other African countries, roles and divisions of household labor are clearly delineated by age and gender. The extent to which domestic and agricultural activities may be determined by an historical practice of caste social stratification is not addressed in this study. The prevalence or absence of such a social structure today could have some discrete bearing on an individual's access to formal financial sector services.

Regional variations in cropping regimes and the attendant roles of women and men in field production are not easily simplified or reduced to broad recognizable patterns. If any gross generalizations can be made, it is that men are more inclined to carry out the more arduous physical tasks in the field and that they are more apt to dominate the most

commercialized sub-sectors of the agricultural economy, such as vanilla, tobacco, and sugar production.

Women play a central role in the daily management of household resources. They are viewed as being more financially responsible and astute than men in the allocation and expenditure of the household income. Thus women are much more often in a position to economize the limited earnings of the household and to invest any small savings that may remain within the family's weekly or monthly budget. Strategies for capital accumulation and investment are believed to vary between women and men. Women's preoccupation with the daily expenditures of the household generally requires that they adopt more short-term income earning strategies than men. Until the end of 1994, a common entrepreneurial activity among women in Antananarivo and the surrounding region was to travel to the neighboring island of Reunion to purchase imported French clothing at a lower cost to be sold in the urban markets of Madagascar. New trade restrictions have recently forced women to engage in small artisanal production for the tourist market.

Men more commonly assume responsibility for the purchase of immovable assets in land and housing, livestock, agricultural equipment, production inputs, and high value capital goods such as automobiles. This often requires longer-term investment strategies than those of women. Nonetheless, men invest in the rental of housing and transport as a means of maintaining capital liquidity to meet household expenses. Usury credit has become a common informal sector practice enabling a ready supply of cash for large financial expenditures including the religious ceremonies noted above. Two of the most common sources of usury are obtained from Indian and Chinese merchants who dominate respectively the western and eastern petty retail markets.

VI. BEST PRACTICES AND LESSONS LEARNED

Gender-oriented interests among international donors, African governments, and newly emerging non-governmental and private sector development organizations have taken on new dimensions in the 1990s. Partly as a result of the untracked impacts of structural adjustment across the continent, donor institutions are being called upon to devise more broad-based 'participatory' approaches to reform design, implementation, and monitoring of program outputs. As a part of the participation dialogue, 'at-risk' populations -- primarily women and children -- have been identified as those most likely to suffer the worst consequences of any adverse impacts of macroeconomic reform.

At a sectoral level, certain domains of economic activity have been more amenable to a gendered analysis than others. The effects of sectoral policy reform, whether deleterious or beneficial, seem to be more obvious in certain sectors of the economy where women's presence is strongly felt. Thus sectoral analyses on gender and agriculture, health, and education appear to be more immediately tenable than they do elsewhere in the economy where women's linkage to a particular sphere of activity is somewhat obfuscated. This study has attempted to shed greater light on an economic sphere where women's presence is much

less palpable than that of men's -- the financial sector. Gender analyses in this area have been primarily focused on microenterprise activity and the role of credit access as a constraining variable to enhanced economic performance by women. Such studies have been criticized for their myopic preoccupations. Microeconomic linkages with policy parameters in the broader economy have been inadequately addressed.

A gendered approach to sectoral reform of formal institutions of savings and investment has been lacking. This study has examined the extent to which gender concerns have been taken into consideration in the design and subsequent tracking of program implementation and impacts being carried out in the institutional reform of the Caisse d'Epargne of Madagascar.

In conclusion, it is paramount to note that any assessment of program **impacts** at a gender-disaggregated level is premature given the current phase of evolution of the reform initiative. At least another one to two year period will be needed before any substantive conclusions can be drawn regarding performance of program indicators as they affect areas of gender concern. Several broad observations can be drawn from the Madagascar case study that may be of benefit to the donor audience as it continues to expand into key economic sectors.

Institution-Level Observations

1. Throughout this paper, it has been implicit that a broader participation of women in financial sector reform should be done through the development of sustainable institutions that can provide the appropriate financial services. In Madagascar, the Caisse is one of the few institutions which is pursuing this endeavor. It is important to review these institutional mechanisms within the overall framework of financial sector reform.

Policy and Regulatory Reform for Financial Institutions: Formal financial institutions, including commercial banks and venture capital, are more likely to move towards serving women if they face a policy and regulatory environment that supports their efforts. Similarly, smaller financial institutions such as the Caisse also need a supportive environment if they are to become established as permanent parts of the financial system. The World Bank and USAID have been in a unique position to influence the Government of Madagascar at the policy level, through structural adjustment credits and financial sector adjustment. Their increased emphasis on financial liberalization and financial intermediation is consistent with efforts to increase women's access to banking services. Attempts to address gender concerns in isolation of other supporting measures outside the financial sector neglects some of the fundamental causal variables underlying women's marginalization in Malagasy society. Social and cultural practice that disadvantages women's access to resources, financial or otherwise, requires that accompanying reform measures be instituted in other critical sectors that impact differentially upon women's and men's lives such as education. Promotion of gender parity in the educational sector more fundamentally addresses social inequities of

resource access and allocation and has the capacity of producing a multiplier or spillover effect by advancing women's concerns in other sectors such as finance.

2. If the Caisse's objectives are to reach and work with women, they must consider the special characteristics of women clients and develop services which address gender differences. This might include:

- Developing services and products that reach the geographic areas and sectors where women are highly represented
- Developing services that are supported by gender-sensitive intermediaries and delivery channels.

However, doing these things by themselves would not be likely to create economic opportunities, or overcome unfavorable economic conditions at the macro level. It would also not eliminate business deficiencies at the micro level, or fulfill the lack of effective service delivery mechanisms at the meso level.

3. Until now the only primary products of the Caisse have been savings instruments. The Caisse should increase the effectiveness of the resource mobilization through appropriate delivery mechanisms for savings and institutional settings that can support the service delivery. For example, the Caisse is currently organizing a gospel song competition among church members of a confederation totaling over half a million people. The Caisse hopes through this to target church-goers and better deliver financial services. Outreach is, however, only one aspect of improving access to financial services by women.

The Caisse will not be able to optimize the participation by women if it does not achieve a high level of financial viability. The level of financial viability will be made possible by adoption of principles of providing savings services that both attract the participation of women and other previously-excluded groups, and provide the basis for commercial-type operations. Financial self-sufficiency is the best guarantor of both sustainable services and scale of outreach.

4. Women, particularly the poorest, have limited access to the formal institutions that control resources (including banks, local and central government, and large private sector institutions). The Caisse mandate to expand market capacity can be enhanced via social intermediation. Nascent efforts at such intermediation involves working with groups as points of contact. The Caisse has started working with NGOs (e.g. church groups) to extend outreach to women. These NGOs are suitable vehicles in serving difficult-to-reach groups. The potential for collaboration is unlimited.

As its social intermediation role increases, with over 450 branches, the Caisse is a potential partner of NGOs which may be active in rural areas. One way of working with NGOs is to identify those with the biggest outreach capabilities and support from local and

international organizations, and piggy-back on their activities to promote the Caisse's savings services. Through its branch network and with the collaboration of NGOs, the Caisse can better overcome some of the constraints imposed by custom.

5. If the Caisse were to undertake to provide better services for women and acknowledge the uncertainties that it will soon be facing when it begins to offer credit as well as collecting savings, then the Caisse is likely to incur extra costs above and beyond its initial resources. Both types of activities may not be fully profitable at the beginning and additional expenditures for human capital may be required, principally in training their personnel to function effectively under the new conditions. If this should occur it is important that the extra costs be carefully monitored so as not to destroy the Caisse at the end of the subsidy. In any case, the possibility for a phase out of subsidies must be included in any arrangements.

General Observations

6. Poor performance of national economies may severely hamper attempts to objectively assess gender as an analytical variable in the design and implementation of policy reform. As a result, gender may not necessarily be the most appropriate unit of analysis in assessing the economic efficiency, gains or losses in the reform. In the case of the USAID supported reform of the Malagasy national postal savings program, the saliency of gender is not immediately apparent in an environment of severe macroeconomic decline. The capacity of the national population to participate in a formal institutional program of savings and investment is greatly compromised, regardless of gender, in an environment of spiralling inflation, domestic political instability and economic uncertainty.

7. Incentives to equitable gender participation in policy reform will not be assured by national legislative processes alone that guarantee the equal rights of women and men. Only by means of enforcement of such statutes will women have the opportunity to stand on equal footing with men in the reform process. The example of Madagascar poignantly illustrates the disparity existing between *de jure* theory and cultural practice. Malagasy women are assumed to have an equal status with men that is uncommon throughout Africa and guaranteed under the national constitution. Despite such gains, many cultural obstacles remain that restrict womens' equality of access to land, education, employment, and other entitlements and vital resources. Thus their capacity to benefit optimally from formal financial sector services remains to be realized.

8. Maximum stakeholder participation does not automatically guarantee optimum results. During various stages of program design and consultation, the timing and nature of contacts between USAID/Madagascar and various Malagasy stakeholders was extremely sensitive and essential in determining support by high level government officials. In the case of the FMD, officials at lower levels within certain government administrations were not directly consulted early on in the reform process. Had they been, their insistence on additional program entitlements could have potentially undermined movement of the reform through the key government ministries. Thus support was obtained at the highest levels within certain ministries prior to informing those at the lower level of the decision-making chain. This

provides a telling example of the importance of assessing stakeholder ambitions and motivations prior to initiating contact with all potential partners. A bottom-up strategy of stakeholder consultation may not always be the most prudent path in achieving policy reform.

APPENDIX 1

Table 1: Women in the National Assembly of Madagascar
1980-1995

Year	Total Deputies	Of Which Women	
		Total	Percentage
1980	137	4	3.0
1985	138	1	0.8
1990	138	10	7.5
1995	138	8	5.0

Table 2: Proportion of Women in Senior Management Within the Government
1989-1990

	Labor Inspectors		Civil Administrators		Tax/Customs Inspectors	
	1989	1990	1989	1990	1989	1990
Total Staff	15	--	38	37	25	140
Total Women	1	--	4	5	5	20
Percentage of Women	6.7	--	10.5	13.5	20.0	14.3

APPENDIX (cont.)

Table 3: Composition of Women and Men in the Ministries

Categories	Percentage	
	Men	Women
Higher Education	16.66	83.34
National Police	1.92	98.08
Primature (Prime Ministry)	12.12	87.88
Technical and Professional Training	6.45	93.55
Economics, Planning and Social Welfare	11.12	88.88
Culture and Communication	18.64	81.36
Population	19.51	80.49
Foreign Affairs	8.33	91.67
Agriculture and Rural Development	19.70	80.30

Source: *Madagascar: Rapport National sur les Femmes*. United Nations Development Programme. Beijing 1995

APPENDIX 2

The Development Strategy of USAID/Madagascar

The efforts of USAID/Madagascar to help the Caisse to become a dynamic player in the overall financial development of Madagascar were directed toward the following objectives:

- Underwrite the remodeling of the Principal Agency, provide suitable uniforms for the staff, and provide customer relations training
- Provide the Caisse with the computer hardware and software to enable it to handle the expected increase in accounts
- Provide training for the increased staff of the institution's computer section
- Provide an American consultant who would make a series of short-term advisory visits spread over a two-year period
- Provide junior level assistants to work on marketing and in other areas as requested by the Caisse.

The general opinion of everyone is that these efforts have been successful beyond all expectation. The remodeling of the Principal Agency of the Caisse and the training of its staff occurred before this study was begun, so no direct before and after comparison is possible. But based on the conditions in other offices, one can easily imagine what the changes entailed. The previous public areas were said to be dilapidated and poorly lighted. New lighting was installed and the old counters were replaced with new ones which increased the space available to the public. The staff received training in public relations and two receptionists were hired to help clients complete their applications to open a new account, inform them about their options, and offer assistance as needed.

The time necessary to complete transactions has been reduced by simplifying the various forms and the passbook itself. Previously, besides writing the sum of deposits in a person's passbook, the tellers were required to clip and paste the deposit in the passbook in order to avoid having someone falsify the written amounts. Today the pasted notice has been replaced by a clever stamp which cannot easily be falsified. The atmosphere has not yet become casual because the number of new depositors has increased, but it is an orderly atmosphere whereas we were told that previously chaos reigned. At the present time the Principal Agency is the only Section in the district of Antananarivo. People tend to come to it directly rather than applying to a closer post office because only a Section can open a new account and withdrawals cannot be made at every post office. This situation will soon be alleviated because the seven other Caisse offices in the Antananarivo district will be upgraded to Section status on October 1, 1995. The computer analysts have received training on the new computers provided by USAID/Madagascar. Some of the statistical information contained in this study would not have been possible without their training and the new equipment.

A small but interesting innovation was the placing of a "Suggestions" box at the entrance to the Caisse. This was done at the suggestion of the junior American consultant who was there to work on marketing issues. As would be expected, most of the suggestions are complaints about the long delays needed to conduct transactions, especially withdrawals. But not all the suggestions are based on client complaints. One was four pages long. It began by expressing the client's appreciation for the new transaction windows and the new simplified forms; afterwards it contained mostly positive suggestions about how the Caisse could be run more efficiently: computerize the transactions; permit clients to open mutual accounts from which there could be rotating borrowing like a tontine; give advice to parents about how to save for their children's education; provide loans for housing and agriculture. Another person suggested that there should be a system of priority, for example the handicapped should be allowed to go ahead of the others. Several asked the Caisse to find a way to bring more order into the waiting room.

USAID/Madagascar has provided three technical assistants to the Caisse since the beginning of the program. A senior financial advisor and two other persons who participate on a fellowship basis. The first worked principally on marketing issues and the other only arrived in September 1995.

INTERVIEWS AND OTHER PERSONS CONTACTED

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Mr. Dominique Rajerison, Finance Director, Postal Savings System

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